

Village of Sparta
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2007

CONTENTS

	<i>Page</i>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - viii
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Statement of net assets - proprietary funds	10
Statement of revenues, expenses, and changes in net assets - proprietary funds	11
Statement of cash flows - proprietary funds	12 - 13
Notes to financial statements	14 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule:	
General Fund	29
Major Street Fund	30
Analysis of funding progress - Employee Retirement System	31
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	32
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	33
OTHER INFORMATION	
Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure	34 - 40

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Sparta
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Sparta, Michigan's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net assets increased by \$1,263,045 (8 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$255,325 and \$1,007,720, respectively.
- Of the \$16,159,416 total net assets reported, \$5,761,071 (36 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$3,117,215, which represents 202 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and Sparta Airport.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Village of Sparta
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements (Continued)

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems and airport operations are reported here.
- *Component unit* - The Village includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) or to show that it is properly using certain taxes and other revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- *Governmental funds.* Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
- *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Village of Sparta
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements (Continued)

- o In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- o The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund consists of its Equipment Rental Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$16,159,416 compared to \$14,896,371 at the end of the prior year. Of this total, \$9,720,388 is invested in capital assets, net of related debt, and \$717,052 is restricted for various purposes. Consequently, unrestricted net assets were \$5,721,976, or 35 percent of the total. While the Village reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

	Condensed financial information					
	Net Assets					
	Governmental activities		Business-type activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 4,080,642	\$4,079,963	\$ 3,438,400	\$2,828,865	\$ 7,519,042	\$ 6,908,828
Capital assets	<u>4,079,262</u>	<u>4,246,486</u>	<u>14,486,698</u>	<u>14,853,864</u>	<u>18,565,960</u>	<u>19,100,350</u>
Total assets	<u>8,159,904</u>	<u>8,326,449</u>	<u>17,925,098</u>	<u>17,682,729</u>	<u>26,685,002</u>	<u>26,009,178</u>
Current and other liabilities	92,025	191,724	92,941	373,300	184,966	565,024
Long-term debt	<u>2,021,771</u>	<u>2,343,942</u>	<u>7,718,849</u>	<u>8,203,841</u>	<u>9,740,620</u>	<u>10,547,783</u>
Total liabilities	<u>2,113,796</u>	<u>2,535,666</u>	<u>7,811,790</u>	<u>8,577,141</u>	<u>9,925,586</u>	<u>11,112,807</u>
Net assets:						
Invested in capital assets, net of related debt	2,699,160	2,756,793	7,021,228	6,904,253	9,720,388	9,661,046
Restricted	677,957	730,903	-	-	677,957	730,903
Unrestricted	<u>2,668,991</u>	<u>2,303,087</u>	<u>3,092,080</u>	<u>2,201,335</u>	<u>5,761,071</u>	<u>4,504,422</u>
Total net assets	<u>\$ 6,046,108</u>	<u>\$5,790,783</u>	<u>\$ 10,113,308</u>	<u>\$9,105,588</u>	<u>\$ 16,159,416</u>	<u>\$14,896,371</u>

Changes in net assets. The Village's total revenues for 2007 were \$5,332,011 compared to \$5,446,313 in 2006. Nearly 37 percent of the Village's revenues come from charges for services while property taxes account for 30 percent of the revenues. State shared revenue accounts for only 8 percent of the Village's revenues.

Village of Sparta
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (Continued)

The total cost of all the Village's programs for 2007, covering a wide range of services, totaled \$4,068,966 compared to \$4,004,555 in 2006. Nearly 38 percent of the Village's costs relate to the provision of utility services. Public safety (police and fire protection) costs represent 20 percent of total costs while public works costs represent 18 percent of the total costs.

	Condensed financial information					
	Changes in Net Assets					
	Governmental activities		Business-type activities		Totals	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for services	\$ 27,428	\$ 28,661	\$ 1,939,154	\$ 1,752,235	\$ 1,966,582	\$ 1,780,896
Operating grants and contributions	252,492	248,423	-	-	252,492	248,423
Capital grants and contributions	-	85,101	757,251	914,155	757,251	999,256
General revenues:						
Property taxes	1,523,446	1,512,645	55,517	80,787	1,578,963	1,593,432
State shared revenue	422,537	427,360	-	-	422,537	427,360
Other	261,766	218,065	92,420	178,881	354,186	396,946
Transfers	-	(54,850)	-	54,850	-	-
Total revenues	<u>2,487,669</u>	<u>2,465,405</u>	<u>2,844,342</u>	<u>2,980,908</u>	<u>5,332,011</u>	<u>5,446,313</u>
Expenses:						
Legislative	14,175	15,741	-	-	14,175	15,741
General government	459,261	385,016	-	-	459,261	385,016
Public safety	826,780	882,379	-	-	826,780	882,379
Public works	731,748	504,784	-	-	731,748	504,784
Culture and recreation	107,014	96,872	-	-	107,014	96,872
Community and economic development	3,595	25,054	-	-	3,595	25,054
Interest	89,771	117,717	-	-	89,771	117,717
Sewer	-	-	743,258	882,294	743,258	882,294
Water	-	-	796,315	749,802	796,315	749,802
Airport	-	-	297,049	344,896	297,049	344,896
Total expenses	<u>2,232,344</u>	<u>2,027,563</u>	<u>1,836,622</u>	<u>1,976,992</u>	<u>4,068,966</u>	<u>4,004,555</u>
Increase in net assets	<u>\$ 255,325</u>	<u>\$ 437,842</u>	<u>\$ 1,007,720</u>	<u>\$ 1,003,916</u>	<u>\$ 1,263,045</u>	<u>\$ 1,441,758</u>

Governmental activities

Governmental activities increased the Village's net assets by \$255,325 in 2007 compared to an increase of \$437,842 in 2006. Revenues remained constant while expenses increased by \$204,781 (10 percent). The increase in expenses is primarily explained by the \$227,000 increase in public works expenses that related to significant maintenance costs for certain local streets and significant sidewalk repairs in the current year.

Governmental activities (continued)

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,543,414.

However, the amount that our taxpayers paid for these activities through general revenues was \$1,952,424. Some of the cost was paid by:

- Those who directly benefited from the programs (\$27,428), or
- Other governments that subsidized certain programs with grants (\$252,492).

The Village paid for the \$1,952,424 "public benefit" portion with \$2,207,749 in property taxes and other general revenues, such as state shared revenue and interest income.

	<u>Total cost of services</u>	<u>Net cost of services</u>
Public safety	\$ 826,780	\$ 823,185
Public works	731,748	479,256
General government	459,261	435,428
Other	<u>214,555</u>	<u>214,555</u>
Totals	\$ 2,232,344	\$ 1,952,424

Business-type activities

Business-type activities increased the Village's net assets by \$1,007,720 in 2007 compared to an increase of \$1,003,916 in 2006. The key factors which led to this condition were the increase in utility rates to offset increasing costs of operation and significant capital contributions over the past two years.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2007, the Village's governmental funds reported combined ending fund balances of \$3,678,564, an increase of \$78,340 compared to last year's balances.

The General Fund is the chief operating fund of the Village and ended the year with a fund balance of \$3,117,215. The General Fund experienced an increase in fund balance of \$122,107 because its revenues, primarily property taxes, continue to be sufficient to cover the fund's total expenditures.

The Major Street Fund experienced a decrease of \$91,634 in its fund balance during the current year. Current year revenues were insufficient to cover both public works expenditures and debt service costs related to the 2004 capital improvement project bond issue. All of the available resources of this fund are restricted for maintenance and construction of major streets within the Village.

Governmental funds (continued)

The 2001 General Obligation Bond Fund experienced a decrease in fund balance of \$14,341, which caused it to end the current fiscal year with a fund balance of \$39,095. The fund's equity and subsequent tax collections are expected to be sufficient to cover the remaining debt service costs of the bond issue.

In addition, these other changes in fund balances should be noted:

- Nonmajor special revenue funds increased by \$62,208, primarily because of a transfer of \$55,750 from the Major Street Fund.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$3,117,215, which represents 202 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 85 percent of the combined ending fund balances of the governmental funds.

Proprietary funds. The Sewer Fund experienced an operating loss of \$148,520 but its net assets increased by \$104,585. The Sewer Fund typically experiences an operating loss because commodity charges do not cover all operating expenses that include depreciation. Net assets were \$4,230,401 at year end while net working capital amounted to \$692,163.

The Water Fund experienced an operating loss of \$182,672. However, net assets of the fund increased by \$844,995 because of significant capital contributions in the current year. Net assets were \$4,389,357 at year end while net working capital amounted to \$1,452,650.

The Airport Fund experienced an operating loss of \$63,410 and increased its net assets by \$58,140 due to increased revenues from fuel sales and hangar rentals. Net assets were \$1,493,550 at year end while net working capital amounted to \$29,415.

General Fund budgetary highlights

Resources available for appropriation were \$7,221 more than the amount budgeted. Property tax revenues were significantly lower than estimated, but higher than expected revenues in virtually every other category made up the difference.

In total, actual expenditures were \$216,561 less than the amount budgeted. The most significant variance related the police department where compensation was less than anticipated.

These variances resulted in a \$223,782 positive budget variance. The fund balance increased by \$122,107 compared to a budgeted decrease of \$101,675.

Capital assets and debt administration

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$18,565,960 (net of accumulated depreciation). This investment includes a broad range of assets including land, streets, sewer and water facilities, buildings, and equipment. The net increase in the Village's net investment in capital assets for the current fiscal year was \$534,390 or 3 percent.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 3,222,417	\$ 12,821,648	\$ 16,044,065
Land and improvements	-	1,119,061	1,119,061
Buildings and improvements	496,932	497,971	994,903
Vehicles and equipment	359,913	48,018	407,931
Totals	\$ 4,079,262	\$ 14,486,698	\$ 18,565,960

Major capital asset events during the current fiscal year included the following:

- A backhoe was acquired at a cost of \$52,150
- A new police car was purchased for \$20,503 that was financed by an installment purchase agreement with a local bank
- The Village also acquired other equipment items totaling \$38,225

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Village had bonds and notes outstanding in the amount of \$9,740,620, which represents a decrease of \$807,163 (8 percent) compared to the prior year. All debt is backed by the full faith and credit of the Village.

During the year ended December 31, 2007, the Village decreased its debt by \$829,996 through principal payments made on each of its various obligations that were all paid in a timely manner.

The Village issued debt during the year, in the amount of \$22,833, through an installment purchase agreement that financed the acquisition of a new police car.

Village of Sparta

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt administration (continued)

Other noncurrent obligations totaling \$41,496 represent accrued compensated absences.

More detailed information about the Village's noncurrent obligations is presented in Note 8 of the basic financial statements.

Economic condition and outlook

The Village of Sparta's economic condition continues to be strong and healthy. The Village has experienced some growth in the difficult economic times in Michigan. In late summer or early fall 2008, we expect to begin a \$4.2 million wastewater treatment plant expansion. The project will be funded through a U. S. Rural Development loan.

Contacting the Village's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Sharon J. DeLange, Manager
Village of Sparta
156 E. Division
Sparta, MI 49345-1389

Phone: (616) 887-8251
E-mail: manager@spartami.org

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Sparta, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Village of Sparta, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Sparta, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sparta, Michigan's basic financial statements. The accompanying supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



1958-2008

Village Council
Village of Sparta, Michigan
Page 2

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Village of Sparta, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Sigfried Crandall P.C.

June 18, 2008

BASIC FINANCIAL STATEMENTS

Village of Sparta
STATEMENT OF NET ASSETS
December 31, 2007

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 3,389,638	\$ 2,324,387	\$ 5,714,025	\$ 628,093
Receivables	429,377	529,963	959,340	26,390
Inventory	-	10,390	10,390	-
Internal balances	86,472	(86,472)	-	-
Total current assets	<u>3,905,487</u>	<u>2,778,268</u>	<u>6,683,755</u>	<u>654,483</u>
Noncurrent assets:				
Receivables	158,486	406,753	565,239	-
Capital assets not being depreciated - land	-	817,447	817,447	-
Capital assets being depreciated, net	4,079,262	13,669,251	17,748,513	-
Deferred charges, net	16,669	253,379	270,048	-
Total noncurrent assets	<u>4,254,417</u>	<u>15,146,830</u>	<u>19,401,247</u>	<u>-</u>
Total assets	<u>8,159,904</u>	<u>17,925,098</u>	<u>26,085,002</u>	<u>654,483</u>
LIABILITIES				
Current liabilities:				
Payables	44,582	92,941	137,523	2,105
Escrow deposits	5,947	-	5,947	-
Bonds and notes payable	335,101	511,099	846,200	-
Total current liabilities	<u>385,630</u>	<u>604,040</u>	<u>989,670</u>	<u>2,105</u>
Noncurrent liabilities:				
Compensated absences	41,496	-	41,496	-
Bonds and notes payable	1,686,670	7,207,750	8,894,420	-
Total noncurrent liabilities	<u>1,728,166</u>	<u>7,207,750</u>	<u>8,935,916</u>	<u>-</u>
Total liabilities	<u>2,113,796</u>	<u>7,811,790</u>	<u>9,925,586</u>	<u>2,105</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,699,160	7,021,228	9,720,388	-
Restricted for public works	677,957	-	677,957	-
Unrestricted	2,668,991	3,092,080	5,761,071	652,378
Total net assets	<u>\$ 6,046,108</u>	<u>\$ 10,113,308</u>	<u>\$ 16,159,416</u>	<u>\$ 652,378</u>

See notes to the financial statements

Village of Sparta
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Functions/Programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
Legislative	\$ 14,175	\$ -	\$ -	\$ -
General government	459,261	23,833	-	-
Public safety	826,780	3,595	-	-
Public works	731,748	-	252,492	-
Recreation and culture	107,014	-	-	-
Community and economic development	3,595	-	-	-
Interest on long-term debt	89,771	-	-	-
Total governmental activities	<u>2,232,344</u>	<u>27,428</u>	<u>252,492</u>	<u>-</u>
Business-type activities:				
Sewer	743,258	740,894	-	21,094
Water	796,315	845,171	-	736,157
Airport	<u>297,049</u>	<u>353,089</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,836,622</u>	<u>1,939,154</u>	<u>-</u>	<u>757,251</u>
Total primary government	<u>\$ 4,068,966</u>	<u>\$ 1,966,582</u>	<u>\$ 252,492</u>	<u>\$ 757,251</u>
Component unit:				
Downtown Development Authority	<u>\$ 131,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes				
State shared revenue				
Unrestricted interest income				
Franchise fees				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

<i>Net (expenses) revenues and changes in net assets</i>			
<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (14,175)		\$ (14,175)	
(435,428)		(435,428)	
(823,185)		(823,185)	
(479,256)		(479,256)	
(107,014)		(107,014)	
(3,595)		(3,595)	
(89,771)		(89,771)	
<u>(1,952,424)</u>		<u>(1,952,424)</u>	
	\$ 18,730	18,730	
	785,013	785,013	
	<u>56,040</u>	<u>56,040</u>	
	859,783	859,783	
<u>(1,952,424)</u>	<u>859,783</u>	<u>(1,092,641)</u>	
			\$ <u>(131,149)</u>
1,523,446	55,517	1,578,963	229,707
422,537	-	422,537	-
139,510	92,420	231,930	14,657
51,985	-	51,985	-
<u>70,271</u>	<u>-</u>	<u>70,271</u>	<u>75,300</u>
<u>2,207,749</u>	<u>147,937</u>	<u>2,355,686</u>	<u>319,664</u>
255,325	1,007,720	1,263,045	188,515
<u>5,790,783</u>	<u>9,105,588</u>	<u>14,896,371</u>	<u>463,863</u>
<u>\$ 6,046,108</u>	<u>\$ 10,113,308</u>	<u>\$ 16,159,416</u>	<u>\$ 652,378</u>

See notes to the financial statements

Village of Sparta
BALANCE SHEET - governmental funds
December 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>2001 Sewer/Water refunding bond</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 2,469,975	\$ 311,657	\$ 39,095	\$ 424,342	\$ 3,245,069
Receivables	376,573	201,084	-	10,206	587,863
Due from other funds	<u>336,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,672</u>
Total assets	<u>\$ 3,183,220</u>	<u>\$ 512,741</u>	<u>\$ 39,095</u>	<u>\$ 434,548</u>	<u>\$ 4,169,604</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 13,460	\$ 4,451	\$ -	\$ 4,452	\$ 22,363
Due to other funds	10,200	240,000	-	-	250,200
Escrow deposits	5,947	-	-	-	5,947
Deferred revenue	<u>36,398</u>	<u>176,132</u>	<u>-</u>	<u>-</u>	<u>212,530</u>
Total liabilities	<u>66,005</u>	<u>420,583</u>	<u>-</u>	<u>4,452</u>	<u>491,040</u>
Fund balances:					
Unreserved	3,117,215	92,158	39,095	-	3,248,468
Unreserved, reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,096</u>	<u>430,096</u>
Total fund balances	<u>3,117,215</u>	<u>92,158</u>	<u>39,095</u>	<u>430,096</u>	<u>3,678,564</u>
Total liabilities and fund balances	<u>\$ 3,183,220</u>	<u>\$ 512,741</u>	<u>\$ 39,095</u>	<u>\$ 434,548</u>	<u>\$ 4,169,604</u>
Total fund balances - all governmental funds					\$ 3,678,564
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					3,856,237
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred or are not recognized in the funds.					229,199
Long-term liabilities, including bonds and notes payable, and, compensated absences, plus related related interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(1,943,049)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.					<u>225,157</u>
Net assets of <i>governmental activities</i> (page 5)					<u>\$ 6,046,108</u>

See notes to the financial statements

Village of Sparta

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended December 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>2001 Sewer/Water refunding bond</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 1,129,964	\$ -	\$ 244,621	\$ 166,552	\$ 1,541,137
Licenses and permits	55,541	-	-	-	55,541
State grants	433,257	165,613	-	72,603	671,473
Charges for services	6,142	-	-	-	6,142
Fines and forfeitures	3,595	-	-	-	3,595
Interest and rentals	97,028	26,724	1,958	10,086	135,796
Other	60,694	17,798	-	20,246	98,738
Total revenues	<u>1,786,221</u>	<u>210,135</u>	<u>246,579</u>	<u>269,487</u>	<u>2,512,422</u>
EXPENDITURES					
Legislative	14,175	-	-	-	14,175
General government	464,190	-	-	-	464,190
Public safety	798,024	-	-	-	798,024
Public works	49,027	192,319	-	263,029	504,375
Recreation and culture	77,615	-	-	-	77,615
Community and economic development	3,595	-	-	-	3,595
Capital outlay	112,907	-	-	-	112,907
Debt service:					
Principal	21,768	59,000	225,000	-	305,768
Interest	2,113	48,400	35,920	-	86,433
Total expenditures	<u>1,543,414</u>	<u>299,719</u>	<u>260,920</u>	<u>263,029</u>	<u>2,367,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>242,807</u>	<u>(89,584)</u>	<u>(14,341)</u>	<u>6,458</u>	<u>145,340</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	53,700	-	55,750	109,450
Transfers out	<u>(120,700)</u>	<u>(55,750)</u>	<u>-</u>	<u>-</u>	<u>(176,450)</u>
Total other financing sources (uses)	<u>(120,700)</u>	<u>(2,050)</u>	<u>-</u>	<u>55,750</u>	<u>(67,000)</u>
NET CHANGE IN FUND BALANCES	122,107	(91,634)	(14,341)	62,208	78,340
FUND BALANCES - BEGINNING	<u>2,995,108</u>	<u>183,792</u>	<u>53,436</u>	<u>367,888</u>	<u>3,600,224</u>
FUND BALANCES - ENDING	<u>\$ 3,117,215</u>	<u>\$ 92,158</u>	<u>\$ 39,095</u>	<u>\$ 430,096</u>	<u>\$ 3,678,564</u>

See notes to the financial statements

Village of Sparta

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2007

Net change in fund balances - total governmental funds	\$ 78,340
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	67,913
Provision for depreciation	(209,954)
Long-term debt - principal repayments	305,768
Changes in other assets/liabilities:	
Net decrease in bond issuance costs	(980)
Net decrease in deferred revenue	(28,467)
Net decrease in accrued interest	1,650
Net decrease in compensated absences	8,324
The net revenue of the internal service fund is reported with governmental activities.	<u>32,731</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 255,325</u>

See notes to the financial statements

Village of Sparta
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2007

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
ASSETS					
Current assets:					
Cash	\$ 792,891	\$ 1,488,663	\$ 42,833	\$ 2,324,387	\$ 144,569
Receivables	118,052	308,153	103,758	529,963	-
Inventory	-	-	10,390	10,390	-
Due from other funds	-	10,200	-	10,200	-
Total current assets	<u>910,943</u>	<u>1,807,016</u>	<u>156,981</u>	<u>2,874,940</u>	<u>144,569</u>
Noncurrent assets:					
Receivables	6,773	399,980	-	406,753	-
Capital assets not being depreciated	-	73,386	744,061	817,447	-
Capital assets being depreciated, net	4,688,966	8,160,740	819,545	13,669,251	223,025
Deferred charges, net	181,669	71,710	-	253,379	-
Total noncurrent assets	<u>4,877,408</u>	<u>8,705,816</u>	<u>1,563,606</u>	<u>15,146,830</u>	<u>223,025</u>
Total assets	<u>5,788,351</u>	<u>10,512,832</u>	<u>1,720,587</u>	<u>18,021,770</u>	<u>367,594</u>
LIABILITIES					
Current liabilities:					
Payables	44,780	47,366	795	92,941	10,469
Due to other funds	-	-	96,672	96,672	-
Bonds and notes payable	174,000	307,000	30,099	511,099	34,298
Total current liabilities	<u>218,780</u>	<u>354,366</u>	<u>127,566</u>	<u>700,712</u>	<u>44,767</u>
Noncurrent liabilities:					
Bonds and notes payable	1,339,170	5,769,109	99,471	7,207,750	97,670
Total liabilities	<u>1,557,950</u>	<u>6,123,475</u>	<u>227,037</u>	<u>7,908,462</u>	<u>142,437</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,357,465	2,229,727	1,434,036	7,021,228	91,057
Unrestricted	872,936	2,159,630	59,514	3,092,080	134,100
Total net assets	<u>\$ 4,230,401</u>	<u>\$ 4,389,357</u>	<u>\$ 1,493,550</u>	<u>\$ 10,113,308</u>	<u>\$ 225,157</u>

See notes to the financial statements

Village of Sparta
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds
Year ended December 31, 2007

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
OPERATING REVENUES					
Charges for services:					
Utility commodity charges	\$ 540,929	\$ 386,026	\$ -	\$ 926,955	\$ -
Rentals	-	-	116,263	116,263	160,015
Fuel sales	-	-	209,698	209,698	-
Other	661	17,787	27,128	45,576	57
Total operating revenues	541,590	403,813	353,089	1,298,492	160,072
OPERATING EXPENSES					
Personnel costs	248,931	195,309	27,080	471,320	26,397
Gas and oil	2,283	2,465	167,198	171,946	13,802
Supplies	40,972	79,932	2,353	123,257	18,432
Contracted services	142,649	45,212	35,851	223,712	300
Insurance	27,202	4,033	4,320	35,555	11,641
Utilities	61,653	39,688	6,778	108,119	14,404
Repairs and maintenance	13,216	12,931	4,826	30,973	39,411
Internal charges - equipment rentals	10,076	10,843	2,512	23,431	-
Depreciation	140,894	192,181	34,091	367,166	68,148
Miscellaneous	2,234	3,891	4,670	10,795	1,512
Total operating expenses	690,110	586,485	289,679	1,566,274	194,047
Operating income (loss)	(148,520)	(182,672)	63,410	(267,782)	(33,975)
NONOPERATING REVENUES (EXPENSES)					
Capital contributions	-	691,425	-	691,425	-
Debt service charges	199,304	441,358	-	640,662	-
Connection fees	21,094	44,732	-	65,826	-
Property taxes	55,517	-	-	55,517	-
Interest revenue	30,338	59,982	2,100	92,420	3,714
Interest expense	(53,148)	(209,830)	(7,370)	(270,348)	(4,008)
Total nonoperating revenues (expenses)	253,105	1,027,667	(5,270)	1,275,502	(294)
INCOME (LOSS) BEFORE TRANSFERS	104,585	844,995	58,140	1,007,720	(34,269)
TRANSFER IN					
Transfer from General Fund	-	-	-	-	67,000
CHANGE IN NET ASSETS	104,585	844,995	58,140	1,007,720	32,731
NET ASSETS - BEGINNING	4,125,816	3,544,362	1,435,410	9,105,588	192,426
NET ASSETS - ENDING	\$ 4,230,401	\$ 4,389,357	\$ 1,493,550	\$ 10,113,308	\$ 225,157

See notes to the financial statements

Village of Sparta
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2007

	Business-type activities				Governmental activities
	Enterprise funds				Internal service
	Sewer	Water	Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 527,888	\$ 376,241	\$ 259,826	\$ 1,163,955	\$ -
Receipts from interfund services	-	-	-	-	160,072
Payments to vendors and suppliers	(380,058)	(281,430)	(233,907)	(895,395)	(111,942)
Payments to employees	(139,242)	(103,339)	(21,646)	(264,227)	(14,303)
Internal activity - payments to other funds	(10,076)	(10,843)	(2,512)	(23,431)	-
Net cash provided by (used in) operating activities	(1,488)	(19,371)	1,761	(19,098)	33,827
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Increase (decrease) in due to other funds	(105,678)	-	65,396	(40,282)	-
Transfer in	-	-	-	-	67,000
Net cash provided by (used in) noncapital financing activities	(105,678)	-	65,396	(40,282)	67,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	-	-	-	-	22,833
Debt service charges	199,304	441,358	-	640,662	-
Capital contributions	-	189,612	-	189,612	-
Connection fees	21,094	44,732	-	65,826	-
Property taxes	55,517	-	-	55,517	-
Acquisition of capital assets	-	-	-	-	(42,965)
Decrease in payables	-	(285,995)	-	(285,995)	-
Principal payments on capital debt	(159,000)	(297,000)	(28,992)	(484,992)	(39,236)
Interest payments on capital debt	(63,238)	(210,690)	(7,370)	(281,298)	(4,008)
Net cash provided by (used in) capital and related financing activities	53,677	(117,983)	(36,362)	(100,668)	(63,376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	30,338	59,982	2,100	92,420	3,714
NET INCREASE (DECREASE) IN CASH	(23,151)	(77,372)	32,895	(67,628)	41,165
CASH - BEGINNING	816,042	1,566,035	9,938	2,392,015	103,404
CASH - ENDING	\$ 792,891	\$ 1,488,663	\$ 42,833	\$ 2,324,387	\$ 144,569

See notes to the financial statements

Village of Sparta

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended December 31, 2007

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (148,520)	\$ (182,672)	\$ 63,410	\$ (267,782)	\$ (33,975)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	140,894	192,181	34,091	367,166	68,148
Increase in:					
Receivables	(13,702)	(27,572)	(93,263)	(134,537)	-
Inventory	-	-	(1,382)	(1,382)	-
Increase (decrease) in payables	<u>19,840</u>	<u>(1,308)</u>	<u>(1,095)</u>	<u>17,437</u>	<u>(346)</u>
Net cash provided by (used in) operating activities	<u>\$ (1,488)</u>	<u>\$ (19,371)</u>	<u>\$ 1,761</u>	<u>\$ (19,098)</u>	<u>\$ 33,827</u>

See notes to the financial statements

Village of Sparta
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Sparta, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

Discretely-presented component unit:

Downtown Development Authority:

The Authority's governing body is appointed by the Village Council and its budget must be approved by the Village Council. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The 2001 Sewer/Water Refunding Bond Fund accounts for the accumulation of resources necessary to retire 2001 general obligation bonds.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution system.

The Airport Fund accounts for the activities of the Village's airport.

Additionally, the Village reports the following fund type:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) Deferred charges - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the interest method.

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets - Capital assets, which include land, equipment, and infrastructure assets (e.g., sewer and water systems, streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

v) Compensated absences - It is the Village's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Sick leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment. Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Such accumulations are reduced to the maximum amount allowed as a termination payment, based on certain limitations.

Vacation leave is earned in varying amounts depending upon years of service. Village employees are required to take their vacation leave during the twelve months following their anniversary date each year. All vacation leave not used during that period shall be forfeited. Vacation leave is not accrued as it is not a vested benefit.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vii) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and the Village may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 105,150	\$ 112,907	\$ 7,757
	Debt service - principal	2,000	21,768	19,768
Major Street	Public works	102,822	192,319	89,497
	Debt service - principal	-	59,000	59,000
	Debt service - interest	-	48,400	48,400

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Component unit</u>	<u>Totals</u>
Deposits	\$ 3,389,463	\$ 2,324,387	\$ 5,713,850	\$ 628,093	\$ 6,341,943
Cash on hand	175	-	175	-	175
Total cash	<u>\$ 3,389,638</u>	<u>\$ 2,324,387</u>	<u>\$ 5,714,025</u>	<u>\$ 628,093</u>	<u>\$ 6,342,118</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At December 31, 2007, \$6,222,803 of the Village's bank balances of \$6,522,803 was exposed to custodial credit risk because it was uninsured. The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

At December 31, 2007, the receivables of the Village's funds were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Assess- ments</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Governmental funds:					
General	\$ 163,416	\$ 64,100	\$ -	\$ 149,057	\$ 376,573
Major Street	-	-	176,132	24,952	201,084
Nonmajor governmental	-	-	-	10,206	10,206
Total governmental funds	<u>\$ 163,416</u>	<u>\$ 64,100</u>	<u>\$ 176,132</u>	<u>\$ 184,215</u>	<u>\$ 587,863</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,486</u>	<u>\$ -</u>	<u>\$ 158,486</u>
Proprietary funds:					
Sewer	\$ -	\$ 97,665	\$ 7,527	\$ 19,633	\$ 124,825
Water	-	105,340	602,793	-	708,133
Airport	-	6,584	-	97,174	103,758
Total proprietary funds	<u>\$ -</u>	<u>\$ 209,589</u>	<u>\$ 610,320</u>	<u>\$ 116,807</u>	<u>\$ 936,716</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,753</u>	<u>\$ -</u>	<u>\$ 406,753</u>

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 599,678	\$ -	\$ -	\$ 599,678
Furniture, fixtures, and equipment	254,716	90,375	-	345,091
Vehicles	546,494	20,603	-	566,997
Streets	3,652,071	-	-	3,652,071
Subtotal	<u>5,052,959</u>	<u>110,878</u>	<u>-</u>	<u>5,163,837</u>
Less accumulated depreciation for:				
Buildings	(89,196)	(13,550)	-	(102,746)
Furniture, fixtures, and equipment	(131,850)	(23,600)	-	(155,450)
Vehicles	(337,064)	(59,661)	-	(396,725)
Streets	(248,363)	(181,291)	-	(429,654)
Subtotal	<u>(806,473)</u>	<u>(278,102)</u>	<u>-</u>	<u>(1,084,575)</u>
Governmental activities capital assets, net	<u>\$ 4,246,486</u>	<u>\$ (167,224)</u>	<u>\$ -</u>	<u>\$ 4,079,262</u>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 817,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817,447</u>
Capital assets being depreciated:				
Sewer system	7,019,356	-	-	7,019,356
Water system	9,955,973	-	-	9,955,973
Land improvements	383,473	-	-	383,473
Buildings	637,571	-	-	637,571
Vehicles and equipment	278,178	-	-	278,178
Subtotal	<u>18,274,551</u>	<u>-</u>	<u>-</u>	<u>18,274,551</u>
Less accumulated depreciation for:				
Sewer system	(2,211,588)	(136,952)	-	(2,347,540)
Water system	(1,614,195)	(191,946)	-	(1,806,141)
Land improvements	(66,505)	(15,354)	-	(81,859)
Buildings	(123,581)	(16,019)	-	(139,600)
Vehicles and equipment	(222,265)	(7,895)	-	(230,160)
Subtotal	<u>(4,238,134)</u>	<u>(367,166)</u>	<u>-</u>	<u>(4,605,300)</u>
Total capital assets being depreciated, net	<u>14,036,417</u>	<u>(367,166)</u>	<u>-</u>	<u>13,669,251</u>
Business-type activities capital assets, net	<u>\$ 14,853,864</u>	<u>\$ (367,166)</u>	<u>\$ -</u>	<u>\$ 14,486,698</u>

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 7,777
Public safety	13,704
Public works	166,257
Recreation and culture	22,216
Depreciation on capital assets held by internal service fund	<u>68,148</u>
Total governmental activities	<u>\$ 278,102</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Water	\$ 10,200	General	\$ 10,200
General	<u>336,672</u>	Major Street	240,000
		Airport	<u>96,672</u>
			<u>336,672</u>
	<u>\$ 346,872</u>		<u>\$ 346,872</u>

The amount owed to the Water Fund represents an overpayment received by the General Fund and the amounts due to the General Fund represent temporary borrowing to finance current operating costs.

A summary of interfund transfers for the year ended December 31, 2007, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Local Street	\$ 55,750	Major Street	\$ 55,750
Major Street	53,700	General	53,700
Equipment	<u>67,000</u>	General	<u>67,000</u>
Totals	<u>\$ 176,450</u>	Totals	<u>\$ 176,450</u>

Village of Sparta**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The transfer to the Local Street Fund represents support for street maintenance and repairs.

The transfer to the Major Street Fund represents support for debt service costs of the current year.

The transfer to the Equipment Fund represents support for operating costs of the current year.

NOTE 7 - PAYABLES:

At December 31, 2007, the payables of the Village's funds were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental funds:				
General	\$ 4,596	\$ 8,864	\$ -	\$ 13,460
Major Street	4,451	-	-	4,451
Nonmajor governmental	<u>4,452</u>	<u>-</u>	<u>-</u>	<u>4,452</u>
Total governmental funds	<u>\$ 13,499</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ 22,363</u>
Proprietary funds:				
Sewer	\$ 31,380	\$ 3,800	\$ 9,600	\$ 44,780
Water	1,566	5,000	40,800	47,366
Airport	795	-	-	795
Equipment	<u>2,969</u>	<u>7,500</u>	<u>-</u>	<u>10,469</u>
Total proprietary funds	<u>\$ 36,710</u>	<u>\$ 16,300</u>	<u>\$ 50,400</u>	<u>\$ 103,410</u>

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES:

At December 31, 2007, noncurrent liabilities consist of the following individual issues:

Governmental activities:

Bonds and notes:

\$170,000 1998 Installment purchase note - payable in annual installments of \$21,962, including interest at 4.95%; final payment due October 2008 \$ 21,803

\$2,480,000 2001 General obligation refunding bonds - payable in annual installments ranging from \$190,000 to \$315,000, plus interest ranging from 3.45% to 4.35%; final payment due November 2010 625,000

\$4,420,000 2004 Capital improvements bonds - payable in annual installments ranging from \$59,000 to \$76,700, plus interest ranging from 2.00% to 4.35%; final payment due November 2024 1,243,000

\$87,538 2004 Installment purchase note - payable in monthly installments of \$1,938, including interest at 4.94%; final payment due May 2008 9,615

\$101,288 2005 Installment purchase note - payable in monthly installments of \$1,073, including interest at 4.94%; final payment due November 2015 83,241

\$24,418 2006 Installment purchase note - payable in annual installments of \$8,139, plus interest at 3.79%; final payment due July 2009 16,279

\$22,833 2007 Installment purchase note - payable in annual installments of \$7,611, plus interest at 3.79%; final payment due June 2010 22,833

Total bonds and notes 2,021,771

Accrued compensated absences 41,496

Total governmental activities \$2,063,267

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES (Continued):

Business-type activities:

Bonds and notes:

\$100,000 1999 Airport installment purchase note - payable in annual installments of \$12,638, including interest at 5.25%; final payment due November 2009 \$ 23,517

\$4,330,000 2000 Water revenue bonds - payable in annual installments ranging from \$180,000 to \$270,000, plus interest at 2.50%; final payment due April 2021 3,240,000

\$85,000 2002 Airport installment purchase note - payable in monthly installments of \$834, including interest at 3.34%; final payment due December 2012 45,330

\$100,000 2003 Airport installment purchase note - payable in monthly installments of \$981, including interest at 3.34%; final payment due September 2013 60,723

\$975,000 2004 Capital improvement bonds - payable in annual installments ranging from \$41,000 to \$53,300, plus interest ranging from 2.00% to 4.35%; final payment due November 2024 852,000

\$2,405,000 2005 Sewer revenue and revenue refunding bonds - payable in annual installments ranging from \$60,000 to \$225,000, plus interest ranging from 3.25% to 5.50%; final payment due November 2025 1,025,000

\$2,485,000 2005 Water revenue bonds - payable in annual installments ranging from \$85,000 to \$185,000, plus interest ranging from 3.25% to 5.50%; final payment due November 2025 2,310,000

Subtotal 7,556,570

Net unamortized premiums 162,279

Total business-type activities \$7,718,849

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES (Continued):

Noncurrent liability activity for the year ended December 31, 2007, is as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
1997 installment purchase note	\$ 1,892	\$ -	\$ 1,892	\$ -	\$ -
1998 installment purchase note	41,679	-	19,876	21,803	21,803
2001 general obligation bonds	850,000	-	225,000	625,000	220,000
2004 installment purchase note	32,209	-	22,594	9,615	9,615
2004 capital improvement bonds	1,302,000	-	59,000	1,243,000	59,000
2005 installment purchase note	91,744	-	8,503	83,241	8,933
2006 installment purchase note	24,418	-	8,139	16,279	8,139
2007 installment purchase note	-	22,833	-	22,833	7,611
Total bonds and notes	2,343,942	22,833	345,004	2,021,771	335,101
Compensated absences	49,820	17,455	25,779	41,496	-
Total governmental activities	\$ 2,393,762	\$ 40,288	\$ 370,783	\$ 2,063,267	\$ 335,101
Business-type activities:					
1999 airport loan	\$ 34,591	\$ -	\$ 11,074	\$ 23,517	\$ 11,573
2000 water revenue bonds	3,430,000	-	190,000	3,240,000	195,000
2002 airport loan	53,674	-	8,344	45,330	8,627
2003 airport loan	70,297	-	9,574	60,723	9,899
2004 capital improvement bonds	893,000	-	41,000	852,000	41,000
2005 sewer revenue bonds	1,165,000	-	140,000	1,025,000	155,000
2005 water revenue bonds	2,395,000	-	85,000	2,310,000	90,000
Total loans and bonds	8,041,562	-	484,992	7,556,570	\$ 511,099
Unamortized premiums	162,279	-	-	162,279	-
Total business-type activities	\$ 8,203,841	\$ -	\$ 484,992	\$ 7,718,849	-

Village of Sparta
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES (Continued):

At December 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended December 31,</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	\$ 335,101	\$ 76,646	\$ 511,099	\$ 264,634
2009	302,085	64,622	514,149	249,173
2010	272,389	52,804	494,904	233,278
2011	78,206	41,901	517,626	215,071
2012	78,730	39,343	527,488	200,672
2013 - 2017	417,330	153,013	2,334,254	734,670
2018 - 2022	380,550	76,469	2,029,450	399,028
2023 - 2026	<u>157,400</u>	<u>9,808</u>	<u>627,600</u>	<u>65,940</u>
Totals	<u>\$ 2,021,771</u>	<u>\$ 514,606</u>	<u>\$ 7,556,570</u>	<u>\$ 2,362,466</u>

All debt is secured by the full faith and credit of the Village.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are required to contribute five percent to the plan. The Village is required to contribute at an actuarially determined rate necessary to finance the coverage of its employees. Administrative costs of the plan are financed through investment earnings.

Village of Sparta**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):*Annual pension cost:*

For the year ended December 31, 2007, the Village's annual pension cost of \$145,765 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.5 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued benefit, which is being amortized over 30 years as a level percentage of payroll.

Three-year trend information:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/05	\$ 115,828	100%	\$ -
12/31/06	131,358	100%	-
12/31/07	145,765	100%	-

NOTE 10 - JOINT VENTURE:*Sparta Fire Department:*

The Village is a participant in the Sparta Fire Department (the Department) along with the Township of Sparta. The administrative board of the Department consists of members appointed by each participating unit. The Department was formed for the purpose of providing fire protection to the Sparta area. The Village has no equity interest in the Department; therefore, financial information of the Department has not been included in the Village's financial statements.

Costs of operations and capital asset acquisitions of the Department are supported by contributions from the Village, which contributes one-third, and the Township of Sparta, which contributes two-thirds, of the Fire Department's proposed budget. During the year ended December 31, 2007, the Village paid the Department \$98,750.

Complete financial statements for the Department can be obtained from the Sparta Fire Department at 36 Elmwood Street, Sparta, Michigan 49345.

NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability up to \$5,000,000, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 12 - BOND DEFEASANCE:

The Village defeased sewer revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Village's financial statements. On December 31, 2007, \$1,180,000 of outstanding bonds were considered defeased.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 1,280,000	\$ 1,280,000	\$ 1,129,964	\$ (150,036)
Licenses and permits	38,500	38,500	55,541	17,041
State grants	385,000	385,000	433,257	48,257
Charges for services	5,000	5,000	6,142	1,142
Fines and forfeitures	4,000	4,000	3,595	(405)
Interest and rentals	30,000	30,000	97,028	67,028
Other	36,500	36,500	60,694	24,194
Total revenues	<u>1,779,000</u>	<u>1,779,000</u>	<u>1,786,221</u>	<u>7,221</u>
EXPENDITURES				
Legislative	16,960	16,960	14,175	2,785
General government	525,896	525,896	464,190	61,706
Public safety	915,800	915,800	798,024	117,776
Public works	51,500	51,500	49,027	2,473
Recreation and culture	89,169	89,169	77,615	11,554
Community and economic development	53,500	53,500	3,595	49,905
Capital outlay	105,150	105,150	112,907	(7,757)
Debt service:				
Principal	2,000	2,000	21,768	(19,768)
Interest	-	-	2,113	(2,113)
Total expenditures	<u>1,759,975</u>	<u>1,759,975</u>	<u>1,543,414</u>	<u>216,561</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>19,025</u>	<u>19,025</u>	<u>242,807</u>	<u>223,782</u>
OTHER FINANCING USES				
Transfer to Equipment Fund	(67,000)	(67,000)	(67,000)	-
Transfer to Major Street Fund	(53,700)	(53,700)	(53,700)	-
Total other financing uses	<u>(120,700)</u>	<u>(120,700)</u>	<u>(120,700)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(101,675)</u>	<u>(101,675)</u>	<u>122,107</u>	<u>223,782</u>
FUND BALANCES - BEGINNING	<u>2,995,108</u>	<u>2,995,108</u>	<u>2,995,108</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,893,433</u>	<u>\$ 2,893,433</u>	<u>\$ 3,117,215</u>	<u>\$ 223,782</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 176,800	\$ 176,800	\$ 165,613	\$ (11,187)
Interest	7,000	7,000	26,724	19,724
Other	-	-	17,798	17,798
Total revenues	<u>183,800</u>	<u>183,800</u>	<u>210,135</u>	<u>26,335</u>
EXPENDITURES				
Public works	102,822	102,822	192,319	(89,497)
Debt service:				
Principal	-	-	59,000	(59,000)
Interest	-	-	48,400	(48,400)
Total expenditures	<u>102,822</u>	<u>102,822</u>	<u>299,719</u>	<u>(196,897)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>80,978</u>	<u>80,978</u>	<u>(89,584)</u>	<u>(170,562)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	53,700	53,700	53,700	-
Transfer to Local Street Fund	(79,450)	(79,450)	(55,750)	23,700
Total other financing uses	<u>(25,750)</u>	<u>(25,750)</u>	<u>(2,050)</u>	<u>23,700</u>
NET CHANGE IN FUND BALANCES	<u>55,228</u>	<u>55,228</u>	<u>(91,634)</u>	<u>(146,862)</u>
FUND BALANCES - BEGINNING	<u>183,792</u>	<u>183,792</u>	<u>183,792</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 239,020</u>	<u>\$ 239,020</u>	<u>\$ 92,158</u>	<u>\$ (146,862)</u>

Village of Sparta**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System****(Municipal Employees' Retirement System of Michigan)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date <u>December 31,</u>	Actuarial value of assets <u>(a)</u>	Actuarial accrued liability (AAL) entry age <u>(b)</u>	Funded ratio <u>(a)/(b)</u>	(Over- funded) AAL <u>(b-a)</u>	Covered payroll <u>(c)</u>	(Over- funded) AAL as a percentage of covered payroll <u>((b-a)/c)</u>
1997	\$ 328,675	\$ 1,540,661	21%	\$ 1,211,986	\$ 561,844	216%
1998	479,804	1,636,046	29%	1,156,242	572,059	202%
1999	607,342	1,648,845	37%	1,041,503	637,804	163%
2000	740,815	1,834,865	40%	1,094,050	679,795	161%
2001	879,543	1,974,771	45%	1,095,228	695,243	158%
2002	1,046,036	2,031,970	51%	985,934	692,359	142%
2003	1,206,736	2,447,331	49%	1,240,595	820,511	151%
2004	1,348,821	2,749,578	49%	1,400,757	861,030	163%
2005	1,505,897	2,988,128	50%	1,482,231	865,319	171%
2006	1,688,178	3,198,989	53%	1,510,811	909,281	166%
2007	1,896,368	3,455,311	55%	1,558,943	936,118	167%

SUPPLEMENTARY INFORMATION

Village of Sparta

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2007

	<u>Special revenue funds</u>		<i>Total nonmajor governmental funds</i>
	<u>Local Street</u>	<u>Sidewalk</u>	
ASSETS			
Cash	\$ 388,913	\$ 35,429	\$ 424,342
Receivables	<u>10,206</u>	<u>-</u>	<u>10,206</u>
Total assets	<u>\$ 399,119</u>	<u>\$ 35,429</u>	<u>\$ 434,548</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ 4,452	\$ -	\$ 4,452
Fund balances - unreserved, undesignated	<u>394,667</u>	<u>35,429</u>	<u>430,096</u>
Total liabilities and fund balances	<u>\$ 399,119</u>	<u>\$ 35,429</u>	<u>\$ 434,548</u>

Village of Sparta**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds***Year ended December 31, 2007*

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Local Street</u>	<u>Sidewalk</u>	
REVENUES			
Property taxes	\$ 166,552	\$ -	\$ 166,552
State grants	72,603	-	72,603
Interest	9,212	874	10,086
Other	<u>20,246</u>	<u>-</u>	<u>20,246</u>
 Total revenues	 268,613	 874	 269,487
 EXPENDITURES			
Public works	<u>263,029</u>	<u>-</u>	<u>263,029</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 5,584	 874	 6,458
 OTHER FINANCING SOURCES			
Transfers in	<u>55,750</u>	<u>-</u>	<u>55,750</u>
 NET CHANGE IN FUND BALANCES	 61,334	 874	 62,208
 FUND BALANCES - BEGINNING	 <u>333,333</u>	 <u>34,555</u>	 <u>367,888</u>
 FUND BALANCES - ENDING	 <u>\$ 394,667</u>	 <u>\$ 35,429</u>	 <u>\$ 430,096</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE
(UNAUDITED)**

**Village of Sparta
Taxable Value
Fiscal Years Ended December 31, 2003 Through 2007**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Village's Fiscal Years Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)	Total Taxable Value	Percent Increase Over Prior Year
2002	2003	2003	\$97,449,805	\$ 2,723,100	\$100,172,905	2.76%
2003	2004	2004	109,509,467	4,369,963	113,879,430	13.68%
2004	2005	2005	114,736,021	3,643,099	118,379,120	3.95%
2005	2006	2006	117,916,523	4,370,920	122,287,443	3.30%
2006	2007	2007	117,930,176	4,370,920	122,301,096	0.01%

Per Capita Total Taxable Value for the fiscal year ended December 31, 2007 (2) = \$29,406

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

**Village of Sparta
Taxable Value by Use and Class
Fiscal Years Ended December 31, 2003 Through 2007**

Use	Fiscal year ended December 31				
	2003	2004	2005	2006	2007
Agricultural	\$ 2,663	\$ 2,724	\$ 2,789	\$ -	\$ -
Commercial	24,999,292	27,499,067	29,468,904	30,625,467	30,609,867
Industrial	23,113,886	30,727,826	31,141,347	26,411,552	22,040,632
Residential	50,977,064	54,432,313	56,559,083	63,853,424	63,882,677
Utility	1,080,000	1,217,500	1,207,000	1,397,000	1,397,000
	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>	<u>\$ 118,379,123</u>	<u>\$ 122,287,443</u>	<u>\$ 117,930,176</u>
Class	2003	2004	2005	2006	2007
Real Property	\$ 82,783,055	\$ 91,290,730	\$ 95,922,673	\$ 100,988,443	\$ 101,017,696
Personal Property	17,389,850	22,588,700	22,456,450	21,299,000	21,283,400
	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>	<u>\$ 118,379,123</u>	<u>\$ 122,287,443</u>	<u>\$ 122,301,096</u>

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
State Equalized Valuation
Fiscal Years Ended December 31, 2003 through 2007**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Village's Fiscal Years Ended December 31</u>	<u>Ad Valorem SEV</u>	<u>SEV of Property Granted Tax Abatement Under Act 198 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
2002	2003	2003	110,420,300	5,575,300	115,995,600	1.21%
2003	2004	2004	122,564,900	8,538,500	131,103,400	13.02%
2004	2005	2005	128,723,500	7,374,800	136,098,300	3.81%
2005	2006	2006	136,705,500	8,876,700	145,582,200	6.97%
2006	2007	2007	136,728,600	8,876,700	145,605,300	0.02%

Per Capita Total SEV for the fiscal year ended December 31, 2007 (2) = \$35,010

(1) See "Tax Abatement" herein.

(2) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

**Village of Sparta
SEV by Use and Class
Fiscal Years Ended December 31, 2003 through 2007**

<u>Use</u>	<u>Fiscal Years Ended December 31</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Agricultural	\$ 5,100	\$ 5,400	\$ 5,900	\$ -	\$ -
Commercial	26,779,700	29,971,500	32,616,900	35,786,800	35,771,200
Industrial	26,741,300	35,681,700	36,428,200	32,442,200	32,442,200
Residential	61,385,500	64,227,300	65,840,300	75,956,200	75,994,900
Utility	1,084,000	1,217,500	1,207,000	1,397,000	1,397,000
	<u>\$ 115,995,600</u>	<u>\$ 131,103,400</u>	<u>\$ 136,098,300</u>	<u>\$ 145,582,200</u>	<u>\$ 145,605,300</u>
<u>Class</u>	<u>Fiscal Years Ended December 31</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Real Property	\$ 96,881,200	\$ 106,333,600	\$ 111,825,600	\$ 121,904,200	\$ 121,942,900
Personal Property	19,114,400	24,769,800	24,272,700	23,678,000	23,662,400
	<u>\$ 115,995,600</u>	<u>\$ 131,103,400</u>	<u>\$ 136,098,300</u>	<u>\$ 145,582,200</u>	<u>\$ 145,605,300</u>

Source: Village of Sparta

Tax Abatement

The Village's Taxable Value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

(UNAUDITED)

**Village of Sparta
SEV by Use and Class
Fiscal Years Ended December 31, 2003 through 2007**

Tax Abatement (Continued)

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem taxes for a period of up to 12 years. In lieu of Ad Valorem taxes, the eligible facility will pay an industrial facilities (the "IFT Tax"). For properties granted tax abatement under Act 198, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax, but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district plus none, 1/2, or the entire state tax rate (as determined by the State Treasurer).

The Village has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the Village has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties that have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Roll totaled \$8,741,839 for the fiscal year ended December 31, 2007. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$4,370,920 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**Village of Sparta
Maximum Property Tax Rates
Fiscal Year Ended December 31, 2007**

Millage Classification	Millage Authorized	Millage Rate As Reduced By Headlee	Current Year Reduction Fraction	Maximum Allowable Millage
Operating	17.5000	15.9185	1.0000	15.9185
Streets and Highways	5.0000	4.5725	1.0000	4.5725
Refuse Collection and Disposal	3.0000	2.7435	1.0000	2.7435

Source: Village of Sparta

**Village of Sparta
Property Tax Rates
Fiscal Years Ended December 31, 2003 Through 2007**

Levy July 1	Fiscal Year Ended December 31	General Operating	Streets and Highways	Debt Service (1)	Total
2003	2003	11.75	1.50	3.25	16.50
2004	2004	11.75	1.50	3.25	16.50
2005	2005	10.75	1.50	2.25	14.50
2006	2006	10.00	1.50	3.00	14.50
2007	2007	10.00	1.50	2.50	14.00

(1) Voter approved.
Source: Village of Sparta

(UNAUDITED)

Village of Sparta
Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2003 Through 2007

Governmental Unit	Fiscal Years Ended December 31				
	2003	2004	2005	2006	2007
Village of Sparta	16.5000	16.5000	14.5000	14.5000	14.0000
Kent Intermediate Schools	3.7903	4.5333	4.6453	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
State Education	5.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	4.6152	7.2252	7.1352	7.1352	6.8552
Kent County	5.3140	5.3140	5.3140	5.3940	5.3940
Sparta Township	1.2295	1.2270	1.2270	1.2270	1.2270
	<u>38.2355</u>	<u>42.5860</u>	<u>40.6080</u>	<u>40.7330</u>	<u>39.9530</u>

Village of Sparta
Non-homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2003 Through 2007

Governmental Unit	Fiscal Years Ended December 31				
	2003	2004	2005	2006	2007
Village of Sparta	16.5000	16.5000	14.5000	14.5000	14.0000
Kent Intermediate Schools	3.7903	4.5333	4.6453	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
State Education	5.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	22.3236	24.9336	25.1352	25.1352	24.8552
Kent County	5.3140	5.3140	5.3140	5.3940	5.3940
Sparta Township	1.2295	1.2270	1.2270	1.2270	1.2270
	<u>55.9439</u>	<u>60.2944</u>	<u>58.6080</u>	<u>58.7330</u>	<u>57.9530</u>

Village of Sparta
Property Tax Collections
Fiscal Years Ended December 31, 2003 Through 2007

July 1 Levy	Fiscal Year Ended December 31	Tax Levy (1)	Collections to December 31 Following Levy	Percent Collected
2003	2003	\$ 1,653,755	\$ 1,548,100	93.61%
2004	2004	1,799,066	1,688,396	93.85%
2005	2005	1,611,958	1,474,596	91.48%
2006	2006	1,710,067	1,561,091	91.29%
2007	2007	1,712,346	1,570,328	91.71%

(1) Village taxes only. Excludes special assessments. Includes property tax collections of property granted tax abatement under Act 198.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
Ten Largest Taxpayers
Fiscal Year Ended December 31, 2007**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Percent of Total (1)</u>
Federal Mogul Piston Ring	Piston Ring Manufacturer	\$ 5,408,976	4.42%
Spartan Graphics, Inc.	General Commercial Advertising	4,933,346	4.03%
Old Orchard Brands, LLC	Fruit Juice Manufacturer	3,791,294	3.10%
Tesa Tape, Inc.	Adhesive Tape Manufacturer	3,414,176	2.79%
General Formulation	Coating and Laminating of Films	2,790,961	2.28%
Cascade Die Casting	Aluminum Injector Molder	2,141,371	1.75%
Emmons Development Co.	Retail Grocery Store	2,056,536	1.68%
Appletree Group LLC	Apartments	1,790,084	1.46%
Continental Identification	Commercial Screen Printer	1,568,727	1.28%
Choice One Bank	Financial Institution	1,382,491	1.13%
		<u>\$ 29,277,962</u>	<u>23.94%</u>

(1) Based on \$122,301,096 which is the Village's Total Taxable Value for its fiscal year ended December 31, 2007. Includes the Equivalent Taxable Value of Property granted under Act 198.

(2) See "Tax Abatement" herein.

Source: Village of Sparta

**Village of Sparta
Revenues from the State of Michigan
Fiscal Years Ended or Ending December 31, 2003 Through 2007**

	<u>Fiscal Years Ended December 31,</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Liquor license fees	\$ 3,004	\$ 4,055	\$ 3,672	\$ 3,534	\$ 3,556
State Shared Revenue	<u>469,131</u>	<u>434,870</u>	<u>430,357</u>	<u>427,360</u>	<u>422,537</u>
	<u>\$ 472,135</u>	<u>\$ 438,925</u>	<u>\$ 434,029</u>	<u>\$ 430,894</u>	<u>\$ 426,093</u>

Source: Village of Sparta

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the Village may legally incur as of December 31, 2007.

Debt Limit (1)		\$ 14,560,530
Debt Outstanding	\$ 9,578,341	
Less: Exempt Debt	<u>6,575,000</u>	
		<u>3,003,341</u>
Legal Debt Margin		<u>\$ 11,557,189</u>

(1) 10% of \$145,605,300 Village's Total SEV for the fiscal year ended December 31, 2007.

Source: Municipal Advisory Council of Michigan and the Village of Sparta.

(UNAUDITED)

**Village of Sparta
Debt Statement
December 31, 2007**

The following table reflects a breakdown of the Village's direct and overlapping debt as of December 31, 2007. To the extent necessary, the Village may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of, and interest due on, the bonds in the following table, which are designated as "UT." However, the Village's ability to levy tax to pay the debt service on the bonds, which are designated as "LT," is subject to applicable charter, statutory, and constitutional limitations.

<u>Village Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated November 4, 2004 (Limited Tax)	\$ 2,095,000	\$ -	\$ 2,095,000
Dated March 29, 2001 (Unlimited Tax)	625,000	-	625,000
Subtotal	<u>2,720,000</u>	<u>-</u>	<u>2,720,000</u>
Sewer Revenue Bonds:			
Dated November 22, 2005	1,025,000	1,025,000	-
Subtotal	<u>1,025,000</u>	<u>1,025,000</u>	<u>-</u>
Water Revenue Bonds:			
Dated November 22, 2005	2,310,000	2,310,000	-
Dated September 28, 2000	3,240,000	3,240,000	-
Subtotal	<u>5,550,000</u>	<u>5,550,000</u>	<u>-</u>
Installment Purchase Obligations:			
Dated May 7, 2007	22,833	-	22,833
Dated July 11, 2006	16,279	-	16,279
Dated November 18, 2005	83,241	-	83,241
Dated May 11, 2004	9,615	-	9,615
Dated August 23, 2003	60,723	-	60,723
Dated November 25, 2002	45,330	-	45,330
Dated October 21, 1999	23,517	-	23,517
Dated October 15, 1998	21,803	-	21,803
Subtotal	<u>283,341</u>	<u>-</u>	<u>283,341</u>
Totals	\$ 9,578,341	\$ 6,575,000	\$ 3,003,341

Per Capita Net Village Direct Debt (1) \$ 722
Percent of Net Direct Debt to SEV (2) 2.06%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 84,960,000	0.58%	\$ 492,768
Sparta School District	38,615,000	27.93%	10,785,170
Grand Rapids Community College	57,460,000	0.57%	327,522
Totals	\$ 181,035,000		\$ 11,605,460

Per Capita Net Overlapping Debt (1) \$2,790
Percent of Net Overlapping Debt to SEV (2) 7.97%

Per Capita Net Direct and Overlapping Debt (1) \$3,513
Percent of Net Direct and Overlapping Debt to SEV (2) 10.03%

(UNAUDITED)

**Village of Sparta
Debt Statement
December 31, 2007**

- (1) Based on the Village's 2000 census population of 4,159.
- (2) Based on \$145,605,300, which is the Village's SEV for the fiscal year ended December 31, 2007. Includes the value of property granted tax abatement under Act 198.
- (3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the Village are liable in addition to debt issued by the Village.

Source: Municipal Advisory Council of Michigan and the Village of Sparta

(UNAUDITED)

June 18, 2008

To the Village Council
Village of Sparta

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta for the year ended December 31, 2007, and have issued our report thereon dated June 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Sparta are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Village of Sparta during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Village's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Sparta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Village of Sparta as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Sparta's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Village has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Village has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Village Council of the Village of Sparta and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Signified Consent A.C.